

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)

PUBLIC UTILITIES COMMISSION)

Instituting a Proceeding to Investigate)
Distributed Generation in Hawaii.)
_____)

Docket No. 03-0371

PUBLIC UTILITIES
COMMISSION

2004 JUL 28 A 11:27

FILED

KAUAI ISLAND UTILITY COOPERATIVE'S SUBMISSION OF INFORMATION REQUESTS
TO HESS MICROGEN, LLC, HAWAII RENEWABLE ENERGY ALLIANCE, COUNTY OF MAUI
AND THE DIVISION OF CONSUMER ADVOCACY

AND

CERTIFICATE OF SERVICE

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COOPERATIVE

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AND THE DIVISION OF CONSUMER ADVOCACY

COMES NOW, KAUAI ISLAND UTILITY COOPERATIVE, by and through its attorneys,
Oshima Chun Fong & Chung, hereby submits its Submission of Information Requests to Hess
Microgen, LLC, Hawaii Renewable Energy Alliance, County of Maui and the Division of
Consumer Advocacy.

DATED: Honolulu, Hawai'i, July 28, 2004.



ALAN M. OSHIMA
KENT D. MORIHARA

Attorneys for KAUAI ISLAND UTILITY
COOPERATIVE

DOCKET NO. 03-0371

KAUAI ISLAND UTILITY COOPERATIVE'S
SUBMISSION OF INFORMATION REQUESTS
INSTRUCTIONS

In order to expedite and facilitate Kauai Island Utility Cooperative's review and analysis in the above matter, the following is requested:

1. For each response, the Company/entity should identify the person who is responsible for preparing the response as well as the witness who will be responsible for sponsoring the response should there be an evidentiary hearing;
2. Unless otherwise specifically requested, for applicable schedules or workpapers, the Company/entity should provide hard copies of each schedule or workpaper together with one copy of each such schedule or workpaper on electronic media in a mutually agreeable format (e.g., Excel and Quattro Pro, to name two examples); and
3. When an information request makes reference to specific documentation used by the Company/entity to support its response, it is not intended that the response be limited to just the specific document referenced in the request. The response should include any non-privileged memoranda, internal or external studies, assumptions, Company/entity instructions, or any other relevant authoritative source which the Company/entity used.
4. Should the Company/entity claim that any information is not discoverable for any reason:
 - a. State all claimed privileges and objections to disclosure;
 - b. State all facts and reasons supporting each claimed privilege and objection;
 - c. State under what conditions the Company/entity is willing to permit disclosure to Kauai Island Utility Cooperative (e.g., protective agreement, review at business offices, etc.); and

- d. If the Company/entity claims that a written document or electronic file is not discoverable, besides complying with subparagraphs 4(a-c), identify each document or electronic file, or portions thereof, that the Company/entity claims are privileged or will not be disclosed, including the title or subject matter, the date, the author(s) and the addressee(s).

**KAUAI ISLAND UTILITY COOPERATIVE'S
SUBMISSION OF INFORMATION REQUESTS**

DOCKET NO. 03-0371

The following information request is directed to Hess Microgen, LLC ("Hess") and is based on Hess's Direct Testimonies.

KIUC/HESS-DT-IR-1 Hess's Direct Testimonies do not appear to distinguish between KIUC's cooperative ownership structure and the investor-owned ownership structures of the other Hawaii electric utilities. As noted in KIUC's Direct Testimonies, KIUC is a cooperative owned by its member/customers. As a member, these customers are entitled to share in the margins of the cooperative through patronage capital refunds/credits. In the event a member of KIUC decided to install its own DG facilities, this would impair the cooperative's margins, its build-up of equity, and the resulting ability to provide patronage capital refunds to its members. In addition, because KIUC is required to maintain a certain relationship of sales to members versus non-members in order to retain its tax-exempt status, the loss of members to non-KIUC owned DG facilities, where such members for whatever reason decide to forego their membership but remain connected to KIUC's system for back-up or supplemental power, could threaten this tax-exempt status.

- a) Given the above, please explain whether a member of KIUC would have less of an incentive to install its own DG system, thus foregoing or reducing its build-up of patronage capital, than if it were a customer of an investor-owned utility.
- b) Please explain whether the above supports the ownership of DG facilities by KIUC in order to protect KIUC's build-up of equity, the

continued availability of patronage capital refunds to its members, as well as KIUC's tax-exempt status.

The following information request is directed to Hawaii Renewable Energy Alliance ("HREA") and is based on HREA's Direct Testimonies.

KIUC/HREA-DT-IR-2 HREA's Direct Testimonies do not appear to distinguish between KIUC's cooperative ownership structure and the investor-owned ownership structures of the other Hawaii electric utilities. As noted in KIUC's Direct Testimonies, KIUC is a cooperative owned by its member/customers. As a member, these customers are entitled to share in the margins of the cooperative through patronage capital refunds/credits. In the event a member of KIUC decided to install its own DG facilities, this would impair the cooperative's margins, its build-up of equity, and the resulting ability to provide patronage capital refunds to its members. In addition, because KIUC is required to maintain a certain relationship of sales to members versus non-members in order to retain its tax-exempt status, the loss of members to non-KIUC owned DG facilities, where such members for whatever reason decide to forego their membership but remain connected to KIUC's system for back-up or supplemental power, could threaten this tax-exempt status.

- a) Given the above, please explain whether a member of KIUC would have less of an incentive to install its own DG system, thus foregoing or reducing its build-up of patronage capital, than if it were a customer of an investor-owned utility.
- b) Please explain whether the above supports the ownership of DG facilities by KIUC in order to protect KIUC's build-up of equity, the

continued availability of patronage capital refunds to its members, as well as KIUC's tax-exempt status.

The following information request is directed to the County of Maui ("COM") and is based on COM's Direct Testimonies.

KIUC/COM-DT-IR-3 COM's Direct Testimonies do not appear to distinguish between KIUC's cooperative ownership structure and the investor-owned ownership structures of the other Hawaii electric utilities. As noted in KIUC's Direct Testimonies, KIUC is a cooperative owned by its member/customers. As a member, these customers are entitled to share in the margins of the cooperative through patronage capital refunds/credits. In the event a member of KIUC decided to install its own DG facilities, this would impair the cooperative's margins, its build-up of equity, and the resulting ability to provide patronage capital refunds to its members. In addition, because KIUC is required to maintain a certain relationship of sales to members versus non-members in order to retain its tax-exempt status, the loss of members to non-KIUC owned DG facilities, where such members for whatever reason decide to forego their membership but remain connected to KIUC's system for back-up or supplemental power, could threaten this tax-exempt status.

- a) Given the above, please explain whether a member of KIUC would have less of an incentive to install its own DG system, thus foregoing or reducing its build-up of patronage capital, than if it were a customer of an investor-owned utility.
- b) Please explain whether the above supports the ownership of DG facilities by KIUC in order to protect KIUC's build-up of equity, the

continued availability of patronage capital refunds to its members,
as well as KIUC's tax-exempt status.

The following information requests are directed to the Division of Consumer Advocacy ("CA") and are based on the CA's Direct Testimonies.

KIUC/CA-DT-IR-4 Ref: CA-T-1: Pg. 71, line 4-22; Pg. 72, lines 1-6

In CA-T-1, the CA states that "customers leaving the system to install their own DG facilities may impair the cooperative's ability to timely build patronage capita[l]" (page 71, lines 20-22) and further states "It would not be unreasonable for the larger customers to consider on-site DG installation, which ultimately may result in a significant loss of load. This situation could jeopardize the cooperative's ability to continue receiving tax exempt status, which ultimately would negatively impact KIUC's owner/customers" (page 72, lines 2-6).

- a. Would the CA agree that the above demonstrate negative impacts on the installation of DG by the cooperative's member/customers? Please explain.
- b. In connection with the above, please explain whether a member/customer would have less of an incentive to leave KIUC's electric system to install DG as a result of KIUC's cooperative form of ownership.

KIUC/CA-DT-IR-5 Ref: CA-T-1: p. 25, lines 8-18

The testimony discusses the differences in HEI IOU status and KIUC cooperative status and the impact on the Commission's DG considerations.

Ref: CA-T-1: p. 43, lines 21-24 thru p. 44, lines 1-13

Discusses the rate impacts of customers installing DG and the need for “unbundling the current rate structure” (43:12).

Ref: CA-T-1: p. 57, lines 13-14

States “To effectively deploy DG on each of the islands, the current bundled rate structure of each of the electric utility companies will need to be unbundled.”

Ref: CA-T-1: p. 58, lines 4-16

Discusses the importance of unbundling existing utility rates.

- a. In the context of KIUC as a utility cooperative owned by its member/customers, how does unbundling of rates benefit or protect those member/customers that do not install DG?
- b. What are the components of unbundled rates and how are they determined?

CERTIFICATE OF SERVICE

I (we) hereby certify that copies of the foregoing document were duly served on the following parties, by having said copies delivered as set forth below:

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